

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

April 27, 2005

1:10 p.m.

**MEMBERS PRESENT**

Representative Jay Ramras, Co-Chair  
Representative Ralph Samuels, Co-Chair  
Representative Jim Elkins  
Representative Carl Gatto  
Representative Kurt Olson  
Representative Harry Crawford  
Representative Gabrielle LeDoux  
Representative Mary Kapsner

**MEMBERS ABSENT**

Representative Paul Seaton

**COMMITTEE CALENDAR**

HOUSE CONCURRENT RESOLUTION NO. 10  
Supporting the development of the Kensington Gold Mine.

- MOVED HCR 10 OUT OF COMMITTEE

SENATE BILL NO. 144

"An Act relating to regulations, definitions, and permits under the emission control permit program; and providing for an effective date."

- MOVED CSSB 144(RES) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HCR 10

SHORT TITLE: SUPPORTING KENSINGTON GOLD MINE

SPONSOR(s): RESOURCES

04/19/05	(H)	READ THE FIRST TIME - REFERRALS
04/19/05	(H)	RES
04/27/05	(H)	RES AT 1:00 PM CAPITOL 124

BILL: SB 144

SHORT TITLE: EMISSION CONTROL PROGRAM PERMITS/REGS

SPONSOR(s): RESOURCES

03/16/05 (S) READ THE FIRST TIME - REFERRALS  
 03/16/05 (S) RES, FIN  
 03/21/05 (S) RES AT 3:30 PM BUTROVICH 205  
 03/21/05 (S) Moved CSSB 144(RES) Out of Committee  
 03/21/05 (S) MINUTE(RES)  
 03/22/05 (S) RES RPT CS 5DP 1NR  
 SAME TITLE  
 03/22/05 (S) DP: WAGONER, DYSON, STEVENS B, STEDMAN,  
 SEEKINS  
 03/22/05 (S) NR: GUESS  
 04/06/05 (S) FIN AT 9:00 AM SENATE FINANCE 532  
 04/06/05 (S) Scheduled But Not Heard  
 04/08/05 (S) FIN RPT CS(RES) 2DP 4NR  
 04/08/05 (S) DP: WILKEN, GREEN  
 04/08/05 (S) NR: BUNDE, HOFFMAN, OLSON, STEDMAN  
 04/08/05 (S) FIN AT 9:00 AM SENATE FINANCE 532  
 04/08/05 (S) Moved CSSB 144(RES) Out of Committee  
 04/08/05 (S) MINUTE(FIN)  
 04/22/05 (S) TRANSMITTED TO (H)  
 04/22/05 (S) VERSION: CSSB 144(RES)  
 04/25/05 (H) READ THE FIRST TIME - REFERRALS  
 04/25/05 (H) RES, FIN  
 04/27/05 (H) RES AT 1:00 PM CAPITOL 124

**WITNESS REGISTER**

JIM POUND, Staff  
 to Representative Jay Ramras  
 Alaska State Legislature  
 Juneau, Alaska  
 POSITION STATEMENT: Presented HCR 10 on behalf of the House  
 Resources Standing Committee.

RANDY MCGILVERY, Environmental Manager  
 Coeur Alaska  
 Juneau, Alaska  
 POSITION STATEMENT: Expressed support for HCR 10.

AMY SEITZ, Staff  
 to Senator Thomas Wagoner  
 Alaska State Legislature  
 Juneau, Alaska  
 POSITION STATEMENT: Presented CSSB 144(RES) on behalf of the  
 Senate Resources Standing Committee.

JOHN KUTERBACH, Program Manager

Air Permits  
Division of Air Quality  
Department of Environmental Conservation  
Juneau, Alaska

POSITION STATEMENT: Answered questions regarding CSSB 144(RES).

**ACTION NARRATIVE**

**CO-CHAIR JAY RAMRAS** called the House Resources Standing Committee meeting to order at [1:10:08 PM](#). Representatives Gatto, Crawford, Elkins, Olson, Samuels, and Ramras were present at the call to order. Representatives Kapsner and LeDoux arrived as the meeting was in progress.

HCR 10-SUPPORTING KENSINGTON GOLD MINE

[1:10:23 PM](#)

CO-CHAIR RAMRAS announced that the first order of business would be HOUSE CONCURRENT RESOLUTION NO. 10, Supporting the development of the Kensington Gold Mine.

[1:10:30 PM](#)

CO-CHAIR SAMUELS moved to adopt the committee substitute for HCR 10, labeled 24-LS0925\F, Bullock, 4/21/05, as the working document. There being no objection, Version F was before the committee.

JIM POUND, Staff to Representative Jay Ramras, Alaska State Legislature, presented HCR 10 on behalf of the House Resources Standing Committee, sponsor by request, which is co-chaired by Representative Ramras. Mr. Pound explained:

[House Concurrent Resolution] 10 is a support resolution for the Kensington Gold Mine, which is located north of Juneau. They're in the final stages right now in their permitting process, and this resolution will help with that final permitting process. Once the permitting process is complete, Kensington will hire approximately 300 construction workers in order to build the mine. After that, approximately 225 people will be in long-term employment within the Juneau area. The company Coeur Alaska does have a reputation for local hire and working within the local regions of where they do build their mines. So far they have spent over \$150

million just on development, permitting, and going through the legal process of preparing Kensington Gold Mine for what they hope to be a groundbreaking some time in the month of July. Again, this passage of this resolution will show that the legislature, along with the other supporters that you have in your packets supports the improvement and increased mining operations throughout the state.

[1:11:57 PM](#)

REPRESENTATIVE GATTO asked if the \$150 million also included equipment purchases.

MR. POUND deferred that question to a Coeur Alaska representative.

REPRESENTATIVE GATTO asked if any gold has been removed yet.

MR. POUND replied no.

[1:12:51 PM](#)

RANDY MCGILVERY, Environmental Manager, Coeur Alaska, thanked the committee for introducing the resolution. He said that the company has been in support of this bill for over 15 years, during which they have "done an extensive job of public communication and consultation involving all of the special interest groups and stakeholders in the region." He commented that the company is looking forward to starting the project this summer.

[1:14:15 PM](#)

REPRESENTATIVE GATTO asked if there are 1 million ounces of gold in the mine.

MR. MCGILVERY answered, "Yes.... Our annual production will be 100,000 ounces per year. So we're projecting 10 years of operation at this time."

REPRESENTATIVE GATTO asked if the mine would close in 10 years.

MR. MCGILVERY answered that the mine would close unless the company could develop future reserves.

REPRESENTATIVE GATTO asked if the company would mine anything other than gold, such as silver or platinum.

MR. MCGILVERY responded that it is a pretty unique deposit of only gold.

REPRESENTATIVE GATTO asked, "How much it would cost to produce a single ounce: a couple hundred dollars?"

[1:15:10 PM](#)

MR. MCGILVERY replied that this was correct, and the current price for gold is over \$400 per ounce.

REPRESENTATIVE GATTO calculated that Coeur would expect a profit of about \$1 million. He asked if the ore would be moved by a barge.

MR. MCGILVERY answered, "We'll be producing a concentrate. ... So 100 percent of the ore goes to the mill: 95 percent of that material goes to the tailings impoundment, 5 percent of that material is produced as a concentrate, and that goes off site to a smelter."

REPRESENTATIVE GATTO asked if the tailings will be considered environmental waste.

MR. MCGILVERY responded:

One of the things that's extremely important to know about the project is that in the flotation process, all of the metals, including the gold, are extracted from the ore. So all that's left, essentially, is beach sand. It has a lower concentration of metals than the natural surrounding environment. It's so important for us to nail the flotation process and extract all the metals out.

REPRESENTATIVE GATTO asked if a chemical is used in the flotation process.

MR. MCGILVERY answered that the chemical used is made of organic polymers that degrade naturally in the impoundment.

REPRESENTATIVE GATTO asked [how long it takes for the organic polymers to degrade].

[1:16:33 PM](#)

MR. MCGILVERY answered that the process water is liberated from the tailings through consolidation. As the tailings consolidate over time, more and more of the process water comes out of the tailings. He said that 90 percent of the consolidation occurs in five years, and total consolidation is complete within 20 years.

REPRESENTATIVE GATTO asked if there are any other mining activities within 10 miles of the proposed mine.

MR. MCGILVERY replied that the closest mine is the Kennicott Greens Creek mine on Admiralty Island.

[1:17:33 PM](#)

REPRESENTATIVE RAMRAS asked, "Can you speak, briefly please, to the philosophy that Coeur Alaska has toward paying its fair share in taxes to the State of Alaska?"

MR. MCGILVERY replied that he is the environmental manager and cannot answer that question.

[1:18:03 PM](#)

CO-CHAIR RAMRAS closed public testimony.

[1:18:16 PM](#)

REPRESENTATIVE ELKINS moved to report the committee substitute for HCR 10, labeled 24-LS0925\F, Bullock, 4/21/05, with individual recommendations and the accompanying fiscal notes. There being no objection, CSHCR 10(RES) was reported from the House Resources Standing Committee.

SB 144-EMISSION CONTROL PROGRAM PERMITS/REGS

[1:18:34 PM](#)

CO-CHAIR RAMRAS announced that the next order of business would be SENATE BILL NO. 144, "An Act relating to regulations, definitions, and permits under the emission control permit program; and providing for an effective date."

CO-CHAIR SAMUELS moved to adopt CSSB 144(RES), labeled 24-LS0677\F, as the working document. There being no objection, Version F was before the committee.

1:19:22 PM

AMY SEITZ, Staff to Senator Thomas Wagoner, Alaska State Legislature, presented CSSB 144(RES), labeled 24-LS0677\F, on behalf of the Senate Resources Standing Committee, sponsor by request, which is chaired by Senator Wagoner. She explained:

Senate Bill 144 is a cleanup bill. Back in 2003 the legislature passed a bill, I believe it was House Bill 160, that's purpose was to streamline the Alaska air permitting program by aligning it to the federal requirements for air permitting. And when [Alaska Department of Environmental Conservation (ADEC)] was adopting regulations to carry the changes out they realized that there were some problems that were missed that needed to be addressed - not very serious ones, but ones that needed to be addressed so that they could be in alignment with federal regulations for requirements, and so the state could keep the primacy over the air permitting process.

One of the changes is that it just works with the definitions, makes sure the definitions match federal definitions. And another change is dealing with the fees. Right now the air permitting program is funding entirely by its user fees. So SB 144 puts in a way for {ADEC} to revoke permits if the fees are not paid. This will ensure that the air permitting program can continue being funded by fees.

1:22:23 PM

CO-CHAIR SAMUELS asked if "major source" is a federal term.

MS. SEITZ replied that the definition of "major source" referred to on page 2, line 7 of the bill.

CO-CHAIR SAMUELS asked if "stationary source" is also a federal term.

MS. SEITZ deferred the question to an ADEC representative.

REPRESENTATIVE LEDOUX asked what the actual federal definition for "major source" was.

MS. SEITZ deferred the question to a ADEC representative.

[1:23:32 PM](#)

JOHN KUTERBACH, Program Manager, Air Permits, Division of Air Quality, Department of Environmental Conservation, stated that he was available to answer questions from the committee.

REPRESENTATIVE LEDOUX reiterated her question regarding the federal definition of "major source."

[1:24:10 PM](#)

MR. KUTERBACH replied that the federal definition comes from the Clean Air Act, and he said, "It parrots the language that is being removed, but not exactly." He pointed out that under the Clean Air Act the term "major source" means: "Any stationary source or group of stationary sources located within a contiguous area and under common control that is either of the following: a major source as defined in Section 112, or a major stationary source as defined in Section 302 or Part D of Title I." He noted that the difference between that federal definition and the current state definition is that the federal definition refers to a stationary source or a group of stationary sources under common control, while the state law only refers to a single stationary source. Therefore, he explained, the state regulations are not as stringent as the federal regulations, and cannot be approved under Title V of the Clean Air Act.

[1:25:46 PM](#)

CO-CHAIR SAMUELS turned to page 4, line 22 of the bill and noted that the bill would give the ADEC the ability to revoke a minor permit. He asked for an explanation of the difference between a minor permit and a major permit.

MR. KUTERBACH clarified that the difference between a minor permit and a major permit was spelled out two years ago in House Bill 160. He said that the minor permit program are those permits that are required for management of Alaska's air quality that aren't specifically required under the federal Clean Air Act, and it is based on the potential of [a facility] to emit air pollutants. He pointed out that the reason why this part of

the bill only refers to minor permits and not major permits is that major permits must be renewed every five years and the state has the ability to refuse renewal if fees aren't paid. Whereas minor permits may last forever and therefore, he concluded, the state needs to have the authority to revoke those permits if the fees aren't paid.

[1:27:15 PM](#)

CO-CHAIR SAMUELS noted that on page 6, line 3, the bill would repeal AS 46.14.990(18). He asked what this statute says.

MR. KUTERBACH replied that this would repeal the definition of modification, which was originally needed two years ago in House Bill 160 to tell what types of modifications need new permits. However, he said, there is nothing currently in statute that refers to modifications and therefore this definition isn't needed. He noted, "The definition that we did have prevented us from using that term in our regulations consistent with the federal regulations."

[1:28:23 PM](#)

CO-CHAIR RAMRAS closed public testimony.

[1:28:26 PM](#)

REPRESENTATIVE OLSON moved to report CSSB 144(RES) out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE GATTO clarified that the committee was moving Version F of the bill. There being no objection, CSSB 144(RES) was reported from the House Resources Standing Committee.

#### **ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at [1:29:04PM](#).